

Message Text

SECRET

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ACTION SS-25

INFO OCT-01 ISO-00 /026 W
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P R 220900Z MAY 75
FM AMEMBASSY JIDDA
TO AMEMBASSY CAIRO PRIORITY
AMEMBASSY TEHRAN PRIORITY
AMEMBASSY ANKARA
INFO SECSTATE WASHDC 1319
AMEMBASSY KUWAIT
AMEMBASSY ABU DHABI
AMEMBASSY DOHA

S E C R E T JIDDA 3635

EXDIS

ANKARA FOR ASST. SECTY ATHERTON

E.O.: 11652: XGDS-1
TAGS: EAID, USEGJC, OVIP (ROBINSON, CHARLES W.)
SUBJ: AID TO EGYPT

1. SUMMARY: PRINCE FAHD AND MINISTER STATE FOR FINANCE
MOHAMMED ABA AL-KHAYL INDICATED AGREEMENT IN PRINCIPLE TO US PRO-
POSAL OF HARMONIZED AND CONCERTED RESPONSE BY SAUDI ARABIA,
IRAN, US AND OTHERS TO EGYPT'S APPEAL FOR EMERGENCY
BALANCE OF PAYMENTS AID. THEY PROMISED EARLY CABINET
CONSIDERATION AFTER ABA AL-KHAYL'S VISIT TO CAIRO, SCHEDULED
MAY 24.

2. UNDER SECRETARY ROBINSON OUTLINED IN SUCCESSIVE CALLS
ON MINISTER ABA AL-KHAYL AND PRINCE FAHD THE POLITICAL AND
FINANCIAL CASES FOR PROMPT AND ADEQUATE RESPONSES BY
EGYPT'S FRIENDS TO PRESIDENT SADAT'S APPEAL FOR ADDITIONAL
AID TO FINANCE CURRENT IMPORTS AND REPAY SHORT-TERM
COMMERCIAL BANK CREDITS. HE FURNISHED ON CONFIDENTIAL
BASIS USG ANALYSIS OF EGYPTIAN BALANCE OF PAYMENTS AND
MEANS OF REDUCING NET DEFICIT TO ABOUT \$800 TO \$900

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MILLION. HE SAID USG PREPARED TO SEEK CONGRESSIONAL

SUPPORT FOR PROVIDING UP TO \$250 MILLION OF ADDITIONAL IMPORT FINANCING LOANS ON CONCESSIONAL TERMS TO EGYPT DURING REMAINDER CY 1975 IF SAUDI ARABIA AND IRAN WOULD PROVIDE APPROXIMATELY EQUAL AMOUNTS, SUBJECT TO HARMONIZED CONDITIONS. THIS NUCLEUS GROUP WOULD SEEK ADDITIONAL CONTRIBUTIONS FROM OTHER COUNTRIES.

3. UNDER SECRETARY OUTLINED AND URGED SAUDI ARABIA TO EXPRESS SAME MINIMUM CONDITIONS USG WOULD REQUIRE, THAT IS,

A. NO REPAYMENT OF MILITARY DEBTS AND NO NET REPAYMENT ON CIVIL ACCOUNTS WITH MAJOR FOREIGN OFFICIAL CREDITORS IN NEXT 12 MONTHS;

BM GOE CONSULTATION WITH IBRD TECHNICAL TEAM LOOKING TO ESTABLISHMENT OF MORE EFFECTIVE FOREIGN EXCHANGE MANAGEMENT SYSTEM. HE ALSO SUGGESTED SAUDI INFLUENCE BE BROUGHT TO BEAR ON NEED FOR REMOVING SERIOUS GOE OBSTACLES AND UNCERTAINTIES WHICH ARE NOW PREVENTING PRIVATE FOREIGN INVESTMENT IN EGYPT.

4. PRINCE FAHD SOUGHT ASSURANCE THAT US PROPOSAL DID NOT ENTAIL FORMATION OF CONSORTIUM BUT RATHER CONTEMPLATED BILATERAL AID ARRANGEMENTS HARMONIZED AS TO CONDITIONS AND TIMING. HE ALSO WAS CONCERNED THAT EXPANDED AID DEVOTED TO EGYPT'S FINANCIAL MAINTENANCE NOT BECOME A HABIT TO BE REPEATED ON SIMILAR SCALE IN 1976. UPON RECEIVING ASSURANCES ON THESE POINTS, HE SAID US APPROACH WAS "ABSOLUTELY RIGHT." HE SAID ABA AL-KHAYL PROBABLY WOULD TAKE MATTER TO CABINET SHORTLY AFTER RETURNING FROM CAIRO NEXT WEEK.

5. ABA AL-KHAYL AGREED TO ENCOURAGE GOE TO GET HELP OF IBRD IN PLANNING A MORE FORESIGHTED AND RESPONSIBLE SYSTEM FOR MANAGING FOREIGN EXCHANGE AVAILABILITIES. HE ALSO ENDORSED OTHER PROPOSED CONDITIONS (PARA 3).

6. FOR TEHRAN: REQUEST AMBASSADOR BRIEF ANSARY ON THESE DEVELOPMENTS AND CAIRO'S 5061, AND SEEK MAXIMUM IRANIAN PARTICIPATION.

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7. FOR CAIRO: REQUEST EMBASSY CONFIDENTIALLY ADVISE ABU ISMAIL OF POSITIVE BUT STILL QUALIFIED SAG RESPONSE AND SUGGEST CONSISTENT GOE APPROACH TO ABA AL-KHAYL WITH VIEW TO EARLY DECISION.
AKINS

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